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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR) CASE NO. IPC-E-19-37
APPROVAL OR REJECTION OF AN)
ENERGY SALES AGREEMENT WITH BIG)
WOOD CANAL COMPANY FOR THE SALE) COMMENTS OF THE
AND PURCHASE OF ELECTRIC ENERGY) COMMISSION STAFF
FROM THE JIM KNIGHT HYDRO)
PROJECT)
_____)**

The Staff of the Idaho Public Utilities Commission, submits the following comments regarding the above referenced case.

BACKGROUND

On December 9, 2019, Idaho Power Company ("Idaho Power" or "Company") filed an Application seeking approval or rejection of an Energy Sales Agreement ("ESA") between the Company and Big Wood Canal Company ("Big Wood" or "Seller"), for the Jim Knight hydro project ("Facility"). The Facility is a 475 kilowatt ("kW") qualifying facility ("QF") near Gooding, Idaho under the Public Utility Regulatory Policies Act of 1978 ("PURPA").

Under the proposed ESA, Big Wood would sell the electric energy generated by the Facility to the Company at published seasonal, non-levelized hydroelectric avoided cost rates as set by Order No. 34350 for a 20-year term.

Big Wood has been selling electricity generated by the Facility to the Company under an energy sales agreement executed on April 1, 1985, that expires on May 31, 2020. The proposed ESA is intended to replace the existing energy sales agreement.

STAFF ANALYSIS

Staff recommends approval of the proposed ESA between Idaho Power and Big Wood. Staff's justification is based upon its review of the ESA, which was focused on: 1) the 90/110 rule with at least five-day advance notice for adjusting Estimated Net Energy Amounts; 2) eligibility for and the amount of capacity payments; and 3) the avoided cost rates.

90/110 Rule

QFs provide a monthly estimate of the amount of energy they expect to produce. If the QF delivers more than 110 percent of the estimated amount, energy delivered in excess of 110 percent is priced at the lesser of 85 percent of the market price or the contract price. If the QF delivers less than 90 percent of the estimated amount, total energy delivered is priced at the lesser of 85 percent of the market price or the contract price.¹ Order No. 29632. Staff verified that this provision is included in the ESA.

The ESA adopted a five-day advance notice for adjusting Estimated Net Energy Amounts for purposes of complying with 90/110 firmness requirements. The Commission has approved a five-day revision to monthly generation estimates in previous cases, recognizing that Estimated Net Energy Amounts that are closer to the time of delivery can improve the accuracy of input used by the Company for short-term operational planning. See Case Nos. IPC-E-19-01, IPC-E-19-03, IPC-E-19-04, IPC-E-19-07, and IPC-E-19-12. The Facility has been generating energy since 1985, and the Company has a long generation history for the QF. Staff believes a five-day advance notice is sufficient.

¹ See Subsection 7.2 of the proposed ESA which defines the Surplus Energy Price as "the current month's Market Energy Reference Price [defined in subsection 1.27 of the ESA] or the applicable All Hours Energy Price [defined in subsection 7.6 of the ESA), whichever is lower."

Capacity Payment

In Order No. 32697, the Commission stated that, “If a QF project is being paid for capacity at the end of the contract term, and the parties are seeking renewal/extension of the contract, the renewal/extension includes immediate payment of capacity.” Although the original contract did not contain a capacity payment, Staff believes the Facility should be granted capacity payment for the full term of the replacement contract, as was granted by the Commission to the Black Canyon #3 project in Case No. IPC-E-19-04.

Similar to the Black Canyon #3 project, the Facility in its original energy sales agreement included avoided cost rates without a capacity payment as determined in Order No. 18190, effective September 1, 1983, because Idaho Power was at that time energy constrained, not capacity constrained. Since about the year 2000, the Company has added significant amounts of capacity such as Danskin (2001 and 2008), Bennett Mountain (2005), and Langley Gulch (2012) gas plants. Because the Company went through those multiple capacity deficiency periods during the Facility’s 35-year contract term, Staff is confident that the project has contributed to the Company’s need for capacity. Therefore, Staff believes the Facility should be granted capacity payment for the full term of the replacement contract.

In addition, Staff notes that the total nameplate capacity in the renewal ESA has changed from the original ESA. The nameplate capacity stated in the renewal ESA is 475 kW, which is less than the total nameplate capacity of 550 kW stated in the original contract. Because the updated amount is less than the amount the Company has included for purposes of resource planning, the Company should have avoided the cost of new capacity additions by at least the smaller amount. Thus, Staff believes the Facility should be granted capacity payments for all generation it produces. Had the nameplate capacity increased instead of decreased, Staff believes that the amount of the increase would not have been eligible for capacity payments until the Company becomes capacity deficient.

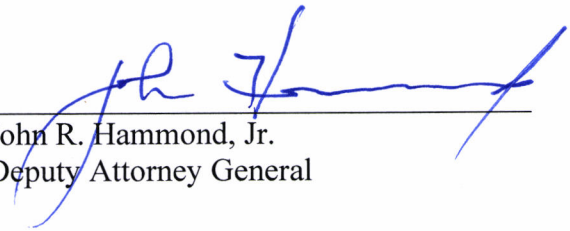
Avoided Cost Rates

Staff reviewed the avoided cost rates contained in the ESA and confirmed that the rates are correct.

STAFF RECOMMENDATION

Staff recommends the Commission approve the ESA and declare Idaho Power's payments to Big Wood for the purchase of energy generated by the Facility under the ESA be allowed as prudently incurred expenses for ratemaking purposes.

Respectfully submitted this 31 day of January 2020.



John R. Hammond, Jr.
Deputy Attorney General

Technical Staff: Yao Yin
Rachelle Farnsworth

i:umisc:comments/ipce19.37jhyysdrf comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 31ST DAY OF JANUARY 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. IPC-E-19-37, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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